

Message Text

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PAGE 01 BUENOS 00723 032115Z

63

ACTION ARA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 AID-05 SSC-01 EB-07 OMB-01 TRSE-00

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 4371

C O N F I D E N T I A L BUENOS AIRES 0723

E.O. 11652: GDS

TAGS: PINT, EGEN, AR

SUBJECT: ECONOMY MINISTER CAFIERO AND LABOR MINISTER RUCKAUF
RESIGNATIONS

REF: BUENOS AIRES 269

SUMMARY: SINCE JANUARY 15 CABINET SHAKEUP, ECONOMY MINISTER CAFIERO'S POLITICAL SITUATION HAS BECOME INCREASINGLY UNSTABLE. HIS RESIGNATION FROM CABINET, AS WELL AS THAT OF RUCKAUF, EXPECTED MOMENTARILY. EXPECTED THAT EMILIO MONDELLI, CENTRAL BANK PRESIDENT, WILL REPLACE CAFIERO AND MIGUEL UNAMANO, HEAD OF BUENOS AIRES MUNICIPAL COUNCIL, WILL REPLACE RUCKAUF. END SUMMARY.

1. FOLLOWING JANUARY 15 CABINET SHAKEUP, ECONOMY MINISTER CAFIERO'S POLITICAL SITUATION AND BACKING BECAME INCREASINGLY UNCERTAIN. JULIO GONZALEZ/LASTIRI FACTION AROUND PRESIDENT HAS BEEN INCREASINGLY BOLD IN SEEKING CAFIERO'S OUTSTRETCH TO FURTHER EXTEND INFLUENCE IN CABINET AND WEAKEN LABOR'S POLITICAL POSITION. (CAFIERO CLOSELY LINKED WITH LABOR).

2. LAST WEEK, UNDERLYING PERSONAL CLASH BETWEEN PRESIDENTIAL TECHNICAL SECRETARY JULIO GONZALEZ AND MINISTER
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PAGE 02 BUENOS 00723 032115Z

CAFIERO SURFACED DRAMATICALLY. ISSUE INVOLVED DELAY IN HANDLING

KEY ECONOMIC MEASURES - IN THIS SPECIFIC CASE RESOLUTION AUTHORIZING WAGE INCREASES. VIA SEVERAL CAREFULLY PLANTED LEAKS, MINISTER CAFIERO CHARGED THAT TECHNICAL SECRETARY'S OFFICE NOT EXPEDITING KEY ECONOMIC MATTERS REQUIRING PRESIDENTIAL ACTION AND THUS HAMPERING WORK OF ECONOMY MINISTRY. JULIO GONZALEZ FIRED BACK WITH OPEN COMMUNIQUE DENYING CHARGE AND POINTING OUT WAGE BILL IN QUESTION HAD NEVER REACHED HIS OFFICE. ON THURSDAY EVENING (JANUARY 29), WAGE MEASURE MYSTERIOUSLY SURFACED AND PROMPTLY SIGNED BY MRS. PERON. FLARE-UP BETWEEN CAFIERO AND JULIO GONZALEZ SUBSIDED, BUT UNDERLYING STRUGGLE HAS CONTINUED. IN ADDITION, SEVERAL SOURCES BELIEVE CAFIERO HIMSELF NOT AVERSE TO LEAVING JOB, LOOKING TO ADVANCEMENT HIS OWN POLITICAL AMBITIONS WHICH ARE THOUGHT TO INCLUDE EITHER PRESIDENTIAL OR VICE PRESIDENTIAL SLOT ON JUSTICIALISTA TICKET DURING NEXT ELECTIONS.

3. ACCORDING TO PRESS, SECRETARY FOR PROGRAMMING AND COORDINATION GUIDO DI TELLA AND SEVERAL OTHER KEY MEMBERS OF ECONOMIC TEAM HAVE BEEN URGING CAFIERO TO RESIGN AND IT IS CONSIDERED NEAR CERTAINTY THAT DE TELLA, SECRETARY OF FINANCE FRIGERI AND OTHERS MOST OPENLY HOSTILE TO GONZALEZ/LASTIRI FACTION WILL LEAVE ECONOMIC TEAM.

4. CHANGE IN ECONOMIC LEADERSHIP AT THIS TIME WILL FURTHER UNDERMINE ARGENTINA'S ALREADY TARNISHED IMAGE ABROAD. IT ALSO CASTS NEW DOUBTS ON OUTLOOK FOR SETTLEMENT OF OUR OUTSTANDING INVESTMENT PROBLEMS. CURRENT INDICATIONS SUGGEST PRESIDENTIAL SECRETARY GONZLEZ HAS IMPORTANT INFLUENCE IN SELECTION CAFIERO'S SUCCESSOR . SOME SOURCES HAVE DESCRIBED GONZALEZ AS "ULTRA NATIONALIST" A AND A STRONG OPPONENT OF MINSTER CAFIERO'S POLICY TO RESOLVE OUTSTANDING FOREIGN INVESTMENT DISPUTES. MONDELLI, HOWEVER, IS CENTRAL BANK MAN OF LONG STANDING AND IT IS TOO SOON TO SPECULATE WHAT POSITION HE MAY TAKE -- ASSUMING HE IS APPOINTED.

5. WHOEVER THE REPLACEMENT, IN DROPPING CAFIERO, MRS. PERON HAS OBVIOUSLY SACRIFICED NATIONAL INTERESTS, AND, INDEED, HER OWN LONG-TERM INTERESTS (IF SHE EVEN UNDERSTOOD WHAT THOSE INTERESTS ARE) TO DEMANDS OF PALACE INTRIGUE AND INFIGHTING.

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PAGE 03 BUENOS 00723 032115Z

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